

State of Michigan, Department of
Treasury

Michigan Higher Education Facilities Authority

ANNUAL REPORT
2005

Michigan Higher Education Facilities Authority

Authority Mission Statement

The Michigan Higher Education Facilities Authority exists to lower the cost of non-profit higher education by providing Michigan's private non-profit educational institutions access to tax-exempt capital.

The Authority Finance Division as part of the Bureau of Bond Finance provides financial and administrative support services on behalf of the Authority to assist with achieving these goals.

Bureau of Bond Finance Mission Statement

The Bureau of Bond Finance will achieve and maintain access to the financial market at the lowest cost of the citizens of Michigan on behalf of:

- Hospitals and their patients
- Higher education students and their families
- Private colleges and their students
- Public school academies and their students
- Public schools and their taxpayers
- Municipalities and their taxpayers
- The State-at-large for environmental, recreational, and other specific-voter approved projects
- The State for cash flow financing for operating purposes.

Vision

- We are committed to fair, consistent, and courteous customer service.
- We have the training, technology, and tools to meet customer needs.
- We provide low-cost financing in order for cities and communities to be magnets for economic opportunities, with high quality education and healthcare.
- We are a division where public service and service to others is exalted.

Values

- Integrity: Michigan's schools, colleges, universities, municipalities, and healthcare providers; along with bond counsel, financial advisors, and underwriters know that they can depend upon the Authority Finance Division to follow through on their commitments.
- Excellence: The Authority Finance Division is committed to providing increasingly effective, low-cost financing to protect the interests of the citizens of Michigan.
- Teamwork: The Authority Finance Division will work together to provide effective, low-cost financing to Michigan's schools, colleges, universities, municipalities, and healthcare providers.
- Pride: In our achievements.

Michigan Higher Education Facilities Authority Board Members

The Michigan Higher Education Facilities Authority (MHEFA) is comprised of eleven members, nine appointed by the Governor and two ex-officio non-voting members, who also constitute the membership of the Higher Education Facilities Commission of the State of Michigan. All members of the Authority serve without compensation but are entitled to reimbursement of expenses incurred in the performance of their duties under the Act. The present membership of the Authority is as follows:

James Woolfolk, Chair

William J. Cochran, Vice Chair

James Goenner

R. Miles Handy II

Robert Partridge

Dr. Glenda D. Price

James Saalfeld

Carol A. Stockman

Vacant

Michigan Higher Education Facilities Authority

Colleges and universities have increasing financial and social demands for their resources. Independent non-profit colleges and universities are facing increasing competition and have responded by improving facilities and programs. They have cut costs, increased efficiency and improved quality through the use of technology.

Adapting programs and facilities to meet changing student needs is capital intensive. Since non-profit organizations cannot access the equity markets and charitable contributions are limited, tax-exempt indebtedness is the most cost-effective capital financing method for most of our independent non-profit colleges and universities. The cost savings resulting from tax-exempt bonds assists Michigan's private non-profit colleges and universities in limiting their need to increase the cost of tuition. It is Michigan Higher Education Facilities Authority's (MHEFA) mission to provide low-cost capital to Michigan's private non-profit colleges and universities.

MHEFA completed five bond issues in 2005 totaling \$44,385,000. MHEFA's tax-exempt bonds were all sold at a variable rate of interest. \$17,360,000 of the bond issues were backed by a letter of credit. The five issues are summarized below:

Michigan Region	School	Purpose	Loan Amount
Southcentral	Alma College	Finance the newly constructed and recently opened Wright Hall project. Renovations to housing units and college facilities.	\$6,025,000
Southeast	Baker College	Finance the construction of a two story building to provide classrooms and administrative office space.	\$8,000,000
Southcentral	Hillsdale College	Finance the construction of a student housing facility, complete Kendall Hall and Lane Hall, and construct an intramural building.	\$13,000,000
Southcentral	Spring Arbor University	Finance the construction of a 35,000 square foot residence hall.	\$6,515,000
Southeast	Walsh College	Finance the purchase of land, addition of classrooms, and building improvements	\$10,845,000
			<u>\$44,385,000</u>

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

LIST OF BOND ISSUES

	CLOSING DATE	COLLEGE NAME	AMOUNT ISSUED	INTEREST RATE	RATINGS		STATUS
					ORIGINAL	CURRENT	
1	8/2/1978	Mercy College	2,215,000	6.75%	None	Retired	Retired
2	9/30/1980	Hope College	1,400,000	7.50%	None	Retired	Retired
3	1/25/1982	Hope College	2,900,000	10.50%	None	Retired	Retired
4	12/28/1983	Kalamazoo College	4,000,000	9.60%	AAA/Aaa	Retired	Retired
5	7/31/1985	Pool	60,000,000	Variable	AAA/Aaa	Retired	Retired
6	4/5/1988	Hope College	2,375,000	6.75%	None	Retired	Retired
7	12/15/1988	Calvin College	4,500,000	8.00%	None	Retired	Retired
8	7/31/1989	Davenport College	5,000,000	8.03%	A1	Retired	Retired
9	3/26/1990	Calvin College	3,520,000	7.00%	None	Retired	Retired
10	9/25/1990	Albion College	11,100,000	7.50%	None	Retired	Retired
11	12/6/1990	Olivet College	4,000,000	7.00%	None	Retired	Retired
12	12/20/1990	Hope College	11,430,000	7.13%	None	Retired	Retired
13	5/16/1991	Aquinas College	10,000,000	7.35%	A	Retired	Retired
14	11/21/1991	Alma College	6,670,000	6.35%	None	Retired	Retired
15	6/23/1992	Spring Arbor College	950,000	6.90%	None	Retired	Retired
16	12/10/1992	Cleary College, 1992	2,500,000	7.00%	None	Retired	Retired
17	8/20/1993	U of Detroit Mercy 1993	5,075,000	6.00%	None	Retired	Retired
18	9/1/1993	Davenport College, 1993A	12,300,000	5.49%	None	Retired	Retired
18	9/1/1993	Davenport College, 1993B	3,500,000	Variable	None	Retired	Retired
19	10/27/1993	Olivet College 1993	5,215,000	5.40%	None	Retired	Retired
20	2/17/1994	Calvin College 1994	10,120,000	5.40%	None	Retired	Retired
21	6/16/1994	Hope College 1994	29,000,000	6.45%	AAA	AAA	Retired
22	11/9/1994	Marygrove College 1994	2,845,000	7.25%	None	None	
23	11/16/1994	Kalamazoo College 1994	5,560,000	6.45%	None	Retired	Retired
24	1/11/1995	Aquinas College 1995	12,800,000	7.10%	A	A	Retired
25	3/29/1995	Albion College, 1995A	6,820,000	Variable	None	Retired	Retired
25	3/29/1995	Albion College, 1995B	6,685,000	5.70%	None	Retired	Retired
26	5/9/1995	Cooley Law School 1995	10,000,000	6.30%	None	Retired	Retired
27	5/17/1995	U of Detroit Mercy 1995	3,300,000	Variable	None	None	Variable Rate
28	5/1/1996	Alma College 1996	4,365,000	5.00%	None	None	Retired
29	6/4/1996	Hope College, 1996A (TAX)	7,150,000	Variable	None	None	Variable Rate
29	6/4/1996	Hope College, 1996B	6,850,000	6.25%	None	None	Retired
30	6/13/1996	U of Detroit Mercy 1996	11,310,000	6.60%	None	None	
31	6/21/1996	Walsh College 1996	9,305,000	7.00%	None	None	Escrowed to
32	3/19/1997	Davenport College, 1997	6,000,000	Variable	None	None	Variable Rate
33	7/30/1997	Adrian College, 1997	3,455,000	4.80%	AAA/Aaa	AAA/Aaa	
34	9/10/1997	Kalamazoo College 1997	4,440,000	5.30%	None	None	Retired
35	3/24/1998	Calvin College, 1998	22,000,000	5.55%	None	None	
36	6/3/1998	Cooley Law School 1998	27,000,000	5.40%	None	None	
37	9/30/1998	Aquinas College, 1998C	13,685,000	5.20%	AA	AA	
38	12/7/1998	Aquinas College, 1998A	3,300,000	5.20%	None	None	
39	12/9/1998	Cleary College, 1998	3,000,000	6.00%	None	None	
40	3/24/1999	Hope College, 1999	17,080,000	5.40%	None	None	
41	6/23/1999	CCS, 1999	7,500,000	Variable	None	Retired	Retired
42	7/30/1999	Adrian College, 1999	3,200,000	Variable	None	None	Retired
43	8/10/1999	Olivet College, 1999	7,875,000	5.50%	None	None	
44	9/24/1999	Concordia, 1999	7,325,000	Variable	None	Retired	Retired
45	6/1/2000	Alma College, 2000	7,370,000	5.75%	A3	A3	Retired
46	9/7/2000	Albion College, 2000	20,805,000	Variable	NONE	None	Retired

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
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	CLOSING DATE	COLLEGE NAME	AMOUNT ISSUED	INTEREST RATE	RATINGS		STATUS
					ORIGINAL	CURRENT	
47	11/8/2000	Kalamazoo College, 2000	9,095,000	5.50%	A2	A2	
48	12/7/2000	Kettering University, 2000	3,100,000	4.45%	None	Retired	Retired
49	12/20/2000	Calvin College, 2000	26,000,000	5.90%	None	None	
50	8/29/2001	Ave Maria School of Law, 2001	16,500,000	2.40%	None	None	Variable Rate
51	9/6/2001	Kettering University, 2001	27,685,000	5.15%	Aaa	AAA	
52	3/6/2002	Calvin College, 2002	5,100,000	3.85%	None	None	
53	5/7/2002	Hope College 2002A	18,910,000	5.90%	BBB	BBB	
54	5/7/2002	Hope College 2002B	20,955,000	1.60%	None	None	Variable Rate
55	6/19/2002	College for Creative Studies 2002	10,895,000	5.90%	Baa2	None	
56	8/28/2002	Adrian College Project, Series 2002	5,190,000	1.40%	None	None	Variable Rate
57	8/29/2002	Davenport University Project, Series	7,000,000	1.33%	None	None	Variable Rate
58	1/30/2003	Spring Arbor University	2,550,000	5.05%	A1	A1	
59	2/11/2003	Baker College	5,000,000	3.25%	None	None	
60	7/10/2003	University of Detroit Mercy	10,200,000	Variable	None	None	Variable Rate
61	8/14/2003	Kalamazoo College, 2003	12,940,000	5.00%	A1	A1	
62	10/22/2003	Spring Arbor University Series 2003B	3,850,000	5.00%	A1	A1	
63	6/9/2004	Davenport University Project, Series	24,000,000	1.05%	None	None	Variable Rate
64	7/28/2004	Hope College 2004	25,000,000	1.10%	None	None	Variable Rate
65	8/3/2004	Albion College 2004	44,925,000	1.20%	None	None	Variable Rate
		University of Detroit Mercy - remediation 8038 # use only					
66	3/17/2005	Hillsdale College	13,000,000	5.00%	A2	A2	
67	6/8/2005	Alma College, 2005	6,025,000	4.08%	A3	A3	
68	6/16/2005	Walsh College 2005	10,845,000	2.50%	VMIG1/SP1	VMIG1/SP1	Variable Rate
69	6/22/2005	Baker College 2005	8,000,000	4.30%	None	None	
70	10/20/2005	Spring Arbor University	6,515,000		VMIG1/SP1		Variable Rate
Total			\$762,075,000				